

# House File 663 - Introduced

HOUSE FILE 663

BY GASSMAN

## A BILL FOR

1 An Act establishing an education savings grant program  
2 for pupils attending a nonpublic school or receiving  
3 competent private instruction, establishing an education  
4 savings grant fund, providing an income tax exemption,  
5 making appropriations, providing penalties, and including  
6 applicability provisions.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 8.6, Code 2019, is amended by adding the  
2 following new subsection:

3 NEW SUBSECTION. 16. *Education savings grant*  
4 *applications.* To adopt rules relating to applications for an  
5 education savings grant pursuant to section 257.11B, including  
6 application processing timelines and information required to be  
7 submitted by a parent or guardian.

8 Sec. 2. NEW SECTION. 257.11B **Education savings grant**  
9 **program.**

10 1. *a.* For the school budget year beginning July 1, 2021,  
11 and each succeeding school budget year, the following resident  
12 pupils who are attending a nonpublic school, as defined in  
13 section 285.16, or receiving competent private instruction  
14 under chapter 299A shall be eligible to receive an education  
15 savings grant in the manner provided in this section:

16 (1) A pupil eligible to enroll in kindergarten.

17 (2) A pupil who received an education savings grant for  
18 the immediately preceding school budget year, who is eligible  
19 to enroll in grade one through grade twelve, who performed at  
20 or above the statewide average on assessments and evaluations  
21 identified in subsection 2, paragraph "a", subparagraph (4),  
22 and who is not otherwise ineligible under this section.

23 *b.* For purposes of this subsection, "*resident*" means the  
24 same as defined in section 282.1, subsection 2.

25 2. *a.* (1) Except as provided in subparagraph (2), by  
26 January 31 preceding the school year for which the education  
27 savings grant is requested, the parent or guardian of the pupil  
28 requesting to receive an education savings grant shall submit  
29 an application to the department of management, on application  
30 forms developed by the department of management, indicating  
31 that the parent or guardian intends to enroll the pupil in a  
32 nonpublic school or place the pupil under competent private  
33 instruction under chapter 299A.

34 (2) For pupils under subsection 1, paragraph "a",  
35 subparagraph (1), by January 31 preceding the school year

1 immediately preceding the school year for which the education  
2 savings grant is requested, the parent or guardian of the pupil  
3 requesting to receive an education savings grant shall submit  
4 an application to the department of management, on application  
5 forms developed by the department of management, indicating  
6 that the parent or guardian intends to enroll the pupil in a  
7 nonpublic school or place the pupil under competent private  
8 instruction under chapter 299A.

9     (3) In addition to such information deemed appropriate by  
10 the department of management, the application shall require  
11 certification from the nonpublic school of the pupil's  
12 enrollment for the applicable school year or a statement from  
13 the intended provider of competent private instruction for the  
14 pupil for the applicable school year.

15     (4) Applications submitted for pupils other than those  
16 identified in subsection 1, paragraph "a", subparagraph  
17 (1), shall include evidence of the pupil's completion and  
18 performance on each statewide assessment administered to the  
19 pupil required by the pupil's nonpublic school or, for pupils  
20 receiving competent private instruction, each evaluation  
21 conducted under section 299A.4.

22     b. (1) Except as provided in subparagraph (2), by March  
23 1 preceding the school year for which the education savings  
24 grant is requested, the department of management shall notify  
25 the parent or guardian of each pupil approved for the following  
26 school year to receive an education savings grant and the  
27 amount of the education savings grant for the pupil.

28     (2) For pupils under subsection 1, paragraph "a",  
29 subparagraph (1), by March 1 preceding the school year  
30 immediately preceding the school year for which the education  
31 savings grant is requested, the department of management shall  
32 notify the parent or guardian of each pupil approved for the  
33 applicable school year to receive an education savings grant  
34 and the amount of the education savings grant for the pupil.

35     c. Education savings grants shall only be approved for one

1 school year and applications must be submitted annually for  
2 education savings grants in subsequent school years.

3 3. The department of management shall assign each pupil  
4 an education savings grant in an amount equal to two thousand  
5 dollars.

6 4. An education savings grant fund is created in the state  
7 treasury under the control of the department of management  
8 consisting of moneys appropriated to the department of  
9 management for the purpose of providing education savings  
10 grants under this section. For the fiscal year commencing July  
11 1, 2021, and each succeeding fiscal year, there is appropriated  
12 from the general fund of the state to the department of  
13 management to be credited to the fund the amount necessary  
14 to pay all education savings grants approved for that fiscal  
15 year. The director of the department of management has all  
16 powers necessary to carry out and effectuate the purposes,  
17 objectives, and provisions of this section pertaining to the  
18 fund, including the power to do all of the following:

19 a. Make and enter into contracts necessary for the  
20 administration of the fund.

21 b. Procure insurance against any loss in connection with the  
22 assets of the fund or require a surety bond.

23 c. Contract with a private financial management firm to  
24 manage the fund, in collaboration with the treasurer of state,  
25 including providing for the disbursement of education savings  
26 grants in the form of an electronic debit card or checks that  
27 are payable directly from the pupil's account within the fund.

28 d. Conduct audits or other reviews necessary to properly  
29 administer the program.

30 e. Adopt rules under chapter 17A for the administration of  
31 the fund and accounts within the fund.

32 5. a. For each pupil approved for an education savings  
33 grant, the department of management shall establish an  
34 account for that pupil in the education savings grant fund.

35 Unless already made available to the parent or guardian under

1 paragraph "b", the amount of the pupil's education savings grant  
 2 shall be deposited into the pupil's account on July 1, and such  
 3 amount shall be immediately available to the parent or guardian  
 4 for the payment of qualified educational expenses incurred  
 5 by the parent or guardian for the pupil during that fiscal  
 6 year using the payment method authorized under subsection 4,  
 7 paragraph "c".

8     **b.** Upon written request of the parent or guardian, the  
 9 amount of the pupil's education savings grant shall be  
 10 deposited into the pupil's account and be made available  
 11 as soon as practicable after the department of management  
 12 provides notice under subsection 2, paragraph "b", if qualified  
 13 educational expenses for the pupil for the applicable school  
 14 year are due prior to July 1 of the school year.

15     **c.** A nonpublic school or a provider of competent private  
 16 instruction that accepts payment from a parent or guardian  
 17 using funds from a pupil's account in the education savings  
 18 grant fund shall not refund, rebate, or share any portion of  
 19 such payment with the parent, guardian, or pupil.

20     **d.** Moneys remaining in a pupil's account upon conclusion  
 21 of the fiscal year shall remain in the pupil's account in the  
 22 education savings grant fund for the payment of qualified  
 23 educational expenses in future fiscal years during which  
 24 the pupil participates in the program or for the payment  
 25 of qualified higher education expenses as provided under  
 26 subsection 8.

27     **6. a.** For purposes of this section, "*qualified educational*  
 28 *expenses*" includes tuition and fees at a nonpublic school,  
 29 textbooks, fees or payments for educational therapies,  
 30 including tutoring or cognitive skills training, curriculum  
 31 fees and materials for a course of study for a specific subject  
 32 matter or grade level, tuition or fees for nonpublic online  
 33 education programs, education materials and services for pupils  
 34 with disabilities, including the cost of paraprofessionals  
 35 and assistants who are trained in accordance with state law,

1 standardized test fees, qualified higher education expenses,  
2 as defined in section 12D.1, subsection 2, paragraph "k",  
3 excluding room and board expenses, and other expenses incurred  
4 by the parent or guardian that are directly related to the  
5 education of the pupil under competent private instruction or  
6 at a nonpublic school, including a nonpublic school accredited  
7 by an independent accrediting agency approved by the department  
8 of education.

9     **b.** *"Qualified educational expenses"* does not include  
10 transportation costs for the pupil, the cost of food or  
11 refreshments consumed by the pupil, the cost of clothing for  
12 the pupil, or the cost of disposable materials, including  
13 but not limited to paper, notebooks, pencils, pens, and art  
14 supplies.

15     **7.** A person who makes a false claim for the purpose  
16 of obtaining an education savings grant provided for in  
17 this section or who knowingly receives the grant or makes a  
18 payment from an account within the education savings grant  
19 fund without being legally entitled to do so is guilty of a  
20 fraudulent practice under chapter 714. The false claim for an  
21 education savings grant or a payment from an account shall be  
22 disallowed. If amounts from the grant have been disbursed from  
23 the applicable account in the education savings grant fund, the  
24 department of management shall initiate legal proceedings to  
25 recover such amounts. A parent or guardian, or a pupil for  
26 purposes of subsection 8, who commits a fraudulent practice  
27 under this subsection is prohibited from participating in the  
28 education savings grant program in the future.

29     **8. a.** For each pupil with a positive balance in the  
30 pupil's account in the education savings grant fund upon  
31 graduation from high school or completion of an equivalent  
32 level of competent private instruction under chapter 299A, the  
33 department of management shall maintain the account in the  
34 fund until the pupil is twenty-three years of age. Following  
35 graduation from high school until the pupil is twenty-three

1 years of age, moneys in the pupil's account may be used for  
2 qualified higher education expenses, as defined in section  
3 12D.1, subsection 2, paragraph "k", incurred by the pupil while  
4 attending an institution of higher education under the control  
5 of the state board of regents, a community college located in  
6 this state, or a private college or university located in this  
7 state. Payments from a pupil's account for qualified higher  
8 education expenses shall be made in the same manner as payments  
9 for qualified educational expenses under subsection 5. Moneys  
10 in a pupil's account when the pupil turns twenty-three years of  
11 age shall be transferred by the department of management for  
12 deposit in the general fund of the state.

13     b. Notwithstanding the age limitation in paragraph "a",  
14 if the pupil with a positive balance in the pupil's account  
15 in the education savings grant fund upon graduation from high  
16 school or completion of an equivalent level of competent  
17 private instruction under chapter 299A serves on federal active  
18 duty, other than training, and is discharged under honorable  
19 conditions, the limitation date otherwise applicable under  
20 paragraph "a" shall be extended by one year for each year of  
21 federal active duty service by the pupil, but not to a date  
22 after the pupil's twenty-seventh birthday.

23     9. This section shall not be construed to authorize the  
24 state or any political subdivision of the state to exercise  
25 authority over any nonpublic school or provider of competent  
26 private instruction under chapter 299A or construed to require  
27 a nonpublic school to modify its standards for admission  
28 or educational program in order to receive payment from a  
29 parent or guardian using funds from a pupil's account in the  
30 education savings grant fund. A nonpublic school or provider  
31 of competent private instruction that accepts payment from a  
32 parent or guardian using funds from a pupil's account in the  
33 education savings grant fund is not an agent of this state or  
34 of a political subdivision of this state. Rules adopted by the  
35 department of management to implement this section that impose

1 an undue burden on a nonpublic school or provider of competent  
2 private instruction are invalid.

3 Sec. 3. Section 422.7, Code 2019, is amended by adding the  
4 following new subsection:

5 NEW SUBSECTION. 48. Subtract, to the extent included, the  
6 amount of an education savings grant under section 257.11B  
7 received by the taxpayer for payment of qualified educational  
8 expenses.

9 Sec. 4. APPLICABILITY. The following applies to school  
10 budget years and fiscal years beginning on or after July 1,  
11 2021:

12 The section of this Act enacting section 257.11B.

13 Sec. 5. APPLICABILITY. The following applies to tax years  
14 beginning on or after January 1, 2021:

15 The section of this Act enacting section 422.7, subsection  
16 48.

17 EXPLANATION

18 The inclusion of this explanation does not constitute agreement with  
19 the explanation's substance by the members of the general assembly.

20 This bill provides education savings grants for pupils  
21 attending a nonpublic school or receiving competent private  
22 instruction and establishes an education savings grant fund.

23 Under the bill, the following pupils who meet certain  
24 assessment and evaluation standards and who attend a nonpublic  
25 school or are placed under competent private instruction under  
26 Code chapter 299A are eligible to receive an education savings  
27 grant: (1) a pupil eligible to enroll in kindergarten; and  
28 (2) a pupil who received an education savings grant for the  
29 immediately preceding school budget year and who is eligible  
30 to enroll in grade 1 through grade 12. The parent or guardian  
31 of the pupil requesting to receive an education savings grant  
32 must submit an application to the department of management  
33 indicating that the parent or guardian intends to enroll the  
34 pupil in a nonpublic school or provide competent private  
35 instruction.



1 The bill requires that by March 1 preceding the school  
2 year for which the education savings grant is requested, the  
3 department of management must notify the parent or guardian of  
4 each pupil approved for the following school year to receive an  
5 education savings grant and the amount of the education savings  
6 grant for the pupil. Education savings grants must be approved  
7 for each school year and applications must be submitted each  
8 year.

9 The bill creates an education savings grant fund in  
10 the state treasury under the control of the department of  
11 management consisting of moneys appropriated to the department  
12 of management for the purpose of providing education savings  
13 grants. For the fiscal year commencing July 1, 2021, and each  
14 succeeding fiscal year, there is appropriated from the general  
15 fund of the state to the department of management for deposit  
16 in the fund the amount necessary to pay all education savings  
17 grants approved for that fiscal year. For each pupil approved  
18 for an education savings grant, the department of management  
19 must establish an account for that pupil in the education  
20 savings grant fund. The amount of the pupil's education  
21 savings grant is deposited into the pupil's account on July 1  
22 and such amount is available for use by parents and guardians  
23 for the payment of qualified educational expenses, as defined  
24 in the bill, incurred by the parent or guardian for the pupil  
25 during that fiscal year.

26 Upon written request of the parent or guardian, the amount of  
27 the pupil's education savings grant shall be deposited into the  
28 pupil's account and be made available as soon as practicable  
29 after the notice of receipt of the grant is given to the parent  
30 or guardian if qualified educational expenses for the pupil  
31 for the applicable school year are due prior to July 1 of the  
32 school year.

33 The bill authorizes the department of management to  
34 contract with a private financial management firm to manage  
35 the education savings grant fund, in collaboration with the

1 treasurer of state, including providing for the disbursement  
2 of education savings grants in the form of an electronic debit  
3 card or checks that are payable directly from the pupil's  
4 account within the fund.

5 The bill provides that moneys remaining in a pupil's account  
6 upon the conclusion of the fiscal year shall remain in the  
7 pupil's account in the education savings grant fund for the  
8 payment of qualified educational expenses in future fiscal  
9 years during which the pupil participates in the program or for  
10 qualified higher education expenses as authorized in the bill.

11 Under the bill, for each pupil with a positive balance in  
12 the pupil's account in the education savings grant fund upon  
13 graduation from high school or completion of an equivalent  
14 level of competent private instruction under Code chapter  
15 299A, the department of management is required to maintain the  
16 account in the fund until the pupil reaches an age specified in  
17 the bill. Until the pupil reaches the age limitation, moneys  
18 in the pupil's account may be used by the pupil for qualified  
19 higher education expenses. Moneys in a pupil's account when  
20 the pupil reaches the age limitation are transferred by the  
21 department of management for deposit in the general fund of the  
22 state.

23 The bill provides that a person who makes a false claim for  
24 the purpose of obtaining an education savings grant or who  
25 knowingly receives the grant or makes a payment from an account  
26 within the education savings grant fund without being legally  
27 entitled to do so is guilty of a fraudulent practice and is  
28 subject to a criminal penalty. The bill allows the department  
29 of management to initiate legal proceedings to recover grants  
30 and amounts improperly awarded or paid from accounts under the  
31 bill.

32 The bill provides that an education savings grant received  
33 by a taxpayer is not taxable income for purposes of state  
34 individual income taxation. This provision of the bill applies  
35 to tax years beginning on or after January 1, 2021.

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1     The section of the bill enacting the education savings  
2 grant program applies to school budget years and fiscal years  
3 beginning on or after July 1, 2021.